



# The Real Estate ANALYST

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A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values... Current Studies... Survey... Forecasts

Number 3

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

## CHANGES IN REAL ESTATE AND MORTGAGE ACTIVITY

**A**LTHOUGH 1953 will be a good year for real estate brokerage and mortgage lending, it will probably be one of declining activity. There seems to be little doubt that our economy must some day descend from the high level it has enjoyed for the past few years, but the chief items of disagreement are: When the descent will begin; how far it will go; and how long it will last.

Nearly all estimates of the economic outlook are expressed in broad terms and speak of the national outlook rather than the local or regional outlook. There are very useful estimates, but they guess at only half the story. All of us know that a downturn begins at different times in different parts of the country, that hard times fall with greater intensity in some regions than in others, and that various areas begin to recover at different times at different rates of speed. For this reason, national trends are most useful as backdrops against which local trends should be measured.

On a national basis, we believe that our real estate activity index will drop slowly during 1953, but that year's end will find it still slightly above the normal line. (It is now approximately 17 points above normal.) The actual number of sales in nonfarm areas will probably drop about 8% from their 1952 level of 4,450,000 to roughly 4,100,000. There is a good chance that dollar volume will also decline.

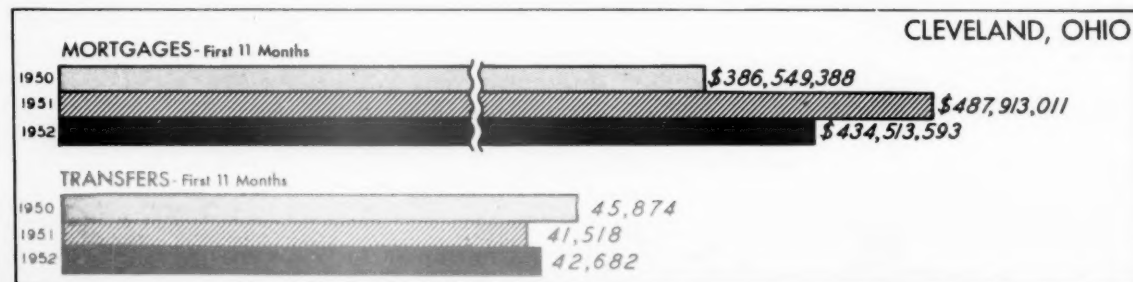
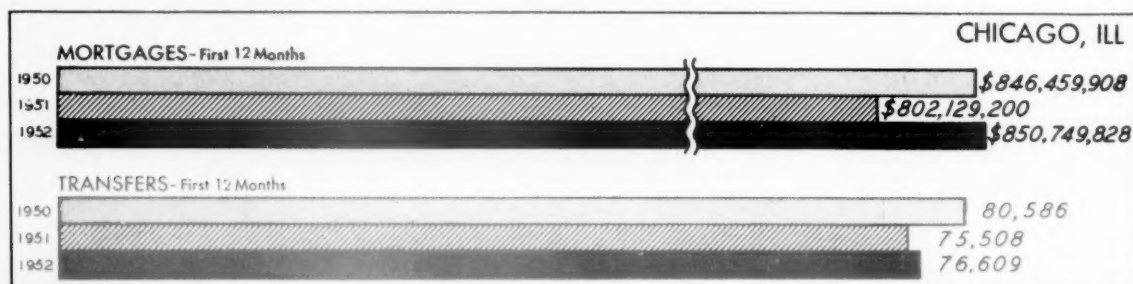
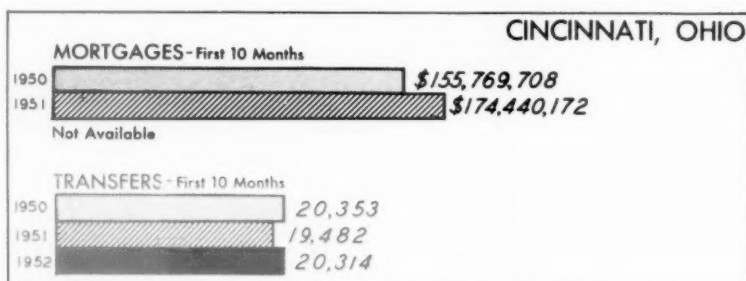
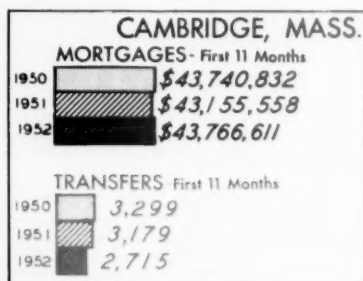
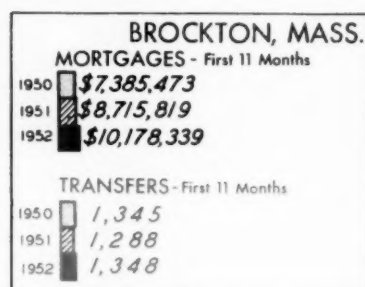
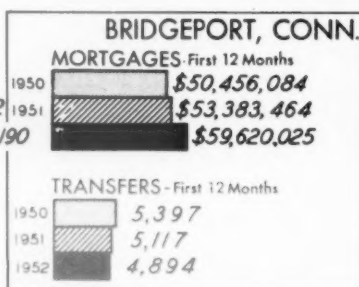
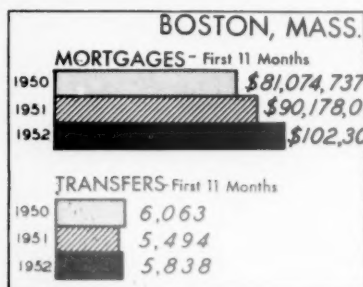
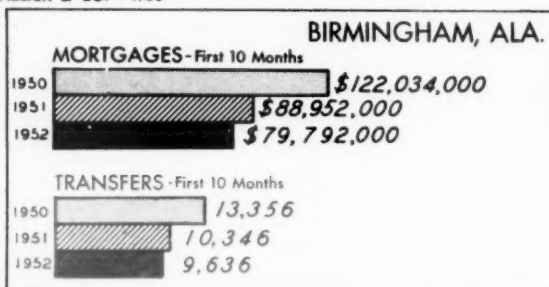
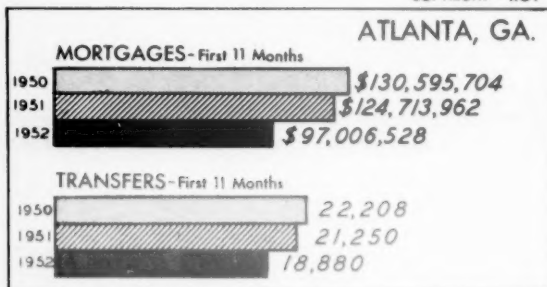
National mortgage activity will also decline during this year, but the decline will be from a very high level and at a slow pace. By and large, 1953 should be a good year for real estate loans.

In order to help bring the picture into a little sharper focus we have drawn the charts on pages 22 through 27. These charts show the actual number of voluntary real estate sales made in each of 59 major cities of the United States during 1950, 1951 and 1952.\* The charts also show the dollar volume of real  
(cont. on page 36)

\*Nearly all cities in this study reached their peak in real estate activity during 1946, with activity considerably above the 1950 level. For comparisons over a longer period of time, turn to pages 496 through 507 of the November 28, 1952, Real Estate Analyst. For a longer comparison on mortgage activity, turn to pages 427 through 433 in the September 30, 1952, Real Estate Analyst.

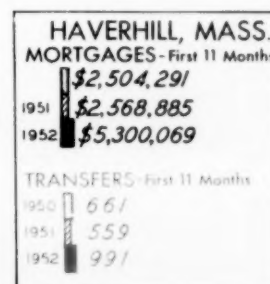
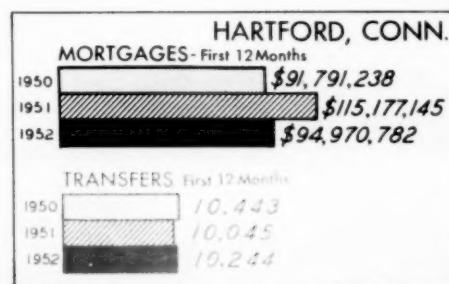
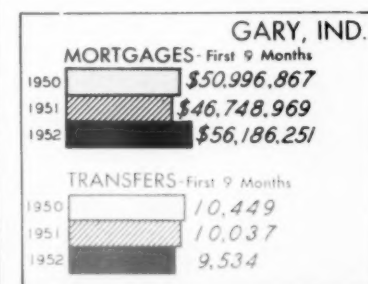
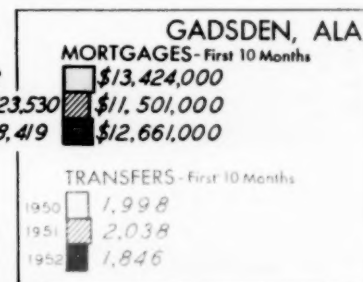
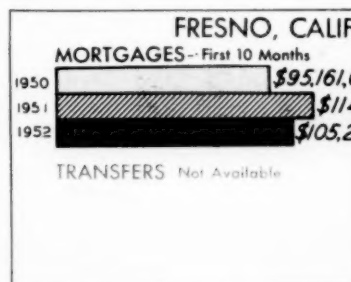
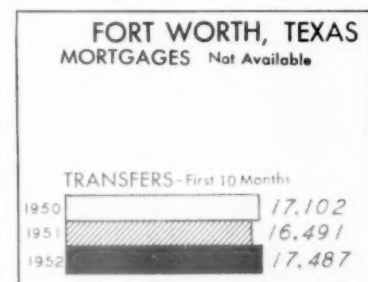
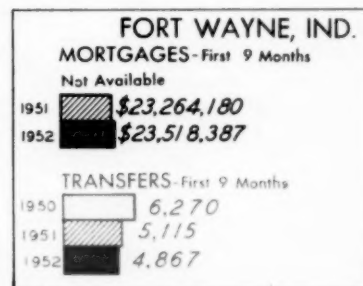
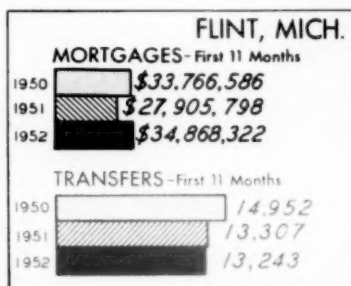
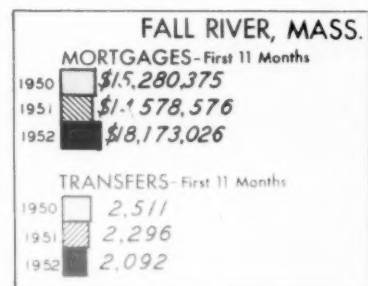
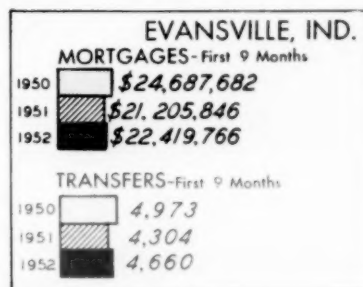
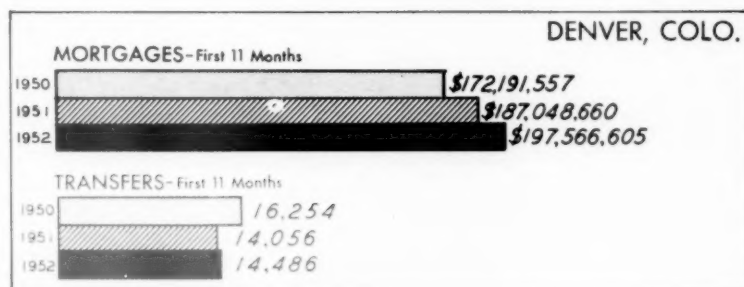
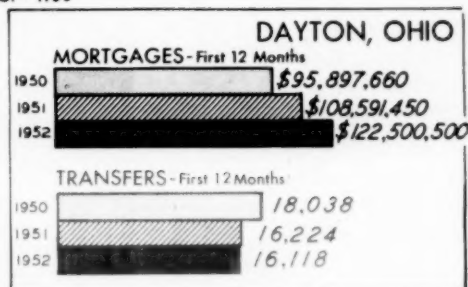
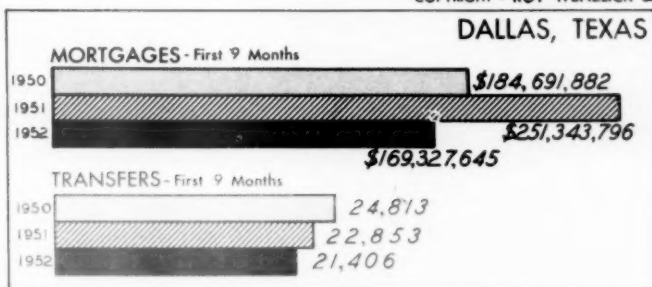
# COMPARISON OF MORTGAGE VOLUME AND REAL ESTATE TRANSFERS FOR 1950, 1951, 1952

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## HOLYOKE, MASS.

MORTGAGES - First 11 Months

1950 \$4,676,343  
1951 \$4,055,865  
1952 \$5,253,916

TRANSFERS - First 11 Months

1950 676  
1951 598  
1952 568

MORTGAGES - First 11 Months

1950 \$248,030,001  
1951 \$306,585,081  
1952 \$124,649,225

TRANSFERS - First 11 Months

1950 37,490  
1951 35,333  
1952 27,271

## HOUSTON, TEXAS

MORTGAGES - First 11 Months

1950 \$86,764,488  
1951 \$81,554,812  
1952 \$87,598,585

TRANSFERS - First 11 Months

1950 21,409  
1951 19,618  
1952 19,707

## INDIANAPOLIS, IND.

MORTGAGES - First 12 Months

1950 \$92,249,964  
1951 \$79,702,972  
1952 \$76,017,024

TRANSFERS - First 12 Months

1950 14,661  
1951 15,523  
1952 18,286

## KANSAS CITY, MO.

## LAWRENCE, MASS.

MORTGAGES - First 11 Months

1950 \$6,955,047  
1951 \$6,936,883  
1952 \$8,783,795

TRANSFERS - First 11 Months

1950 812  
1951 735  
1952 632

## LOWELL, MASS.

MORTGAGES - First 11 Months

1950 \$7,180,991  
1951 \$9,998,285  
1952 \$9,787,914

TRANSFERS - First 11 Months

1950 1,310  
1951 1,441  
1952 1,279

## MEMPHIS, TENN.

MORTGAGES - First 11 Months

1950 \$97,648,254  
1951 \$81,034,993  
1952 \$114,627,663

TRANSFERS - First 11 Months

1950 16,618  
1951 14,546  
1952 15,129

MORTGAGES - First 11 Months

1950 \$1,573,950,975  
1951 \$1,420,622,555  
1952 \$1,510,542,824

TRANSFERS - First 11 Months

1950 199,779  
1951 200,718  
1952 194,354

## LOS ANGELES, CALIF.

MORTGAGES - First 12 Months

1950 \$207,681,195  
1951 \$188,621,780  
1952 \$227,551,445

TRANSFERS - First 12 Months

1950 26,231  
1951 23,708  
1952 24,509

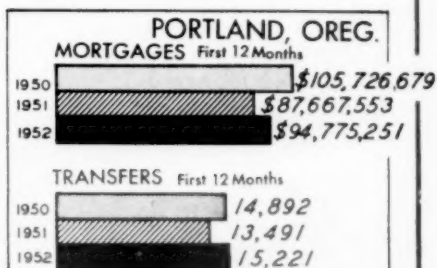
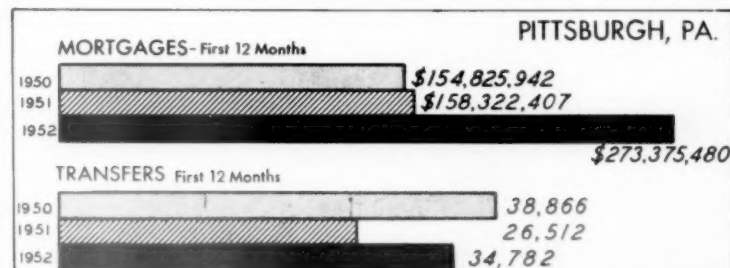
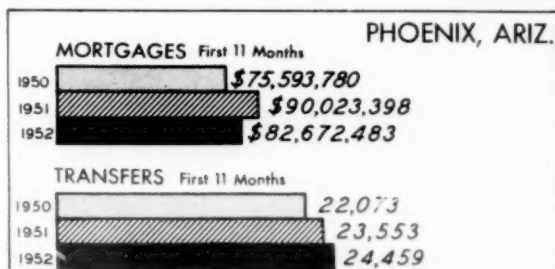
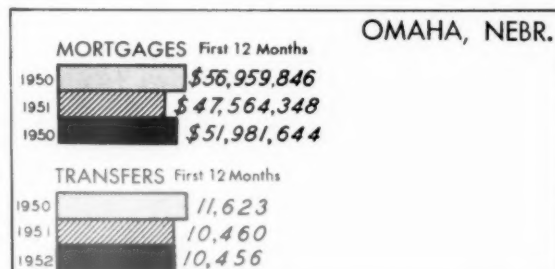
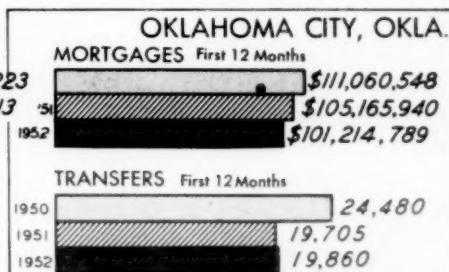
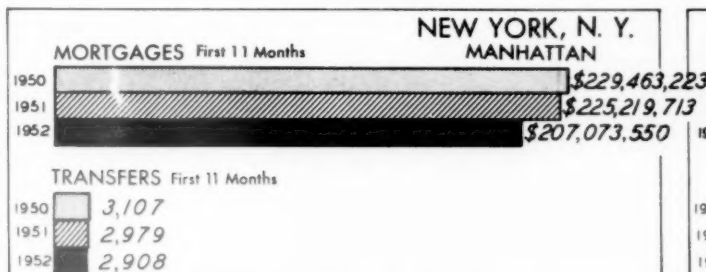
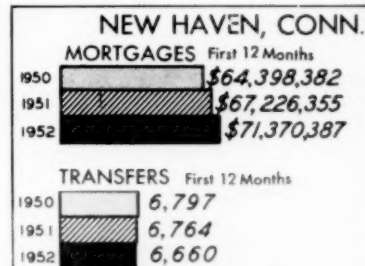
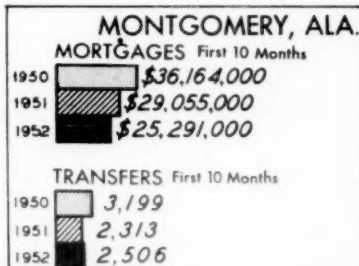
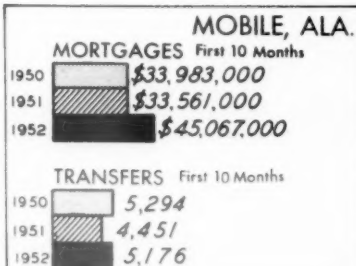
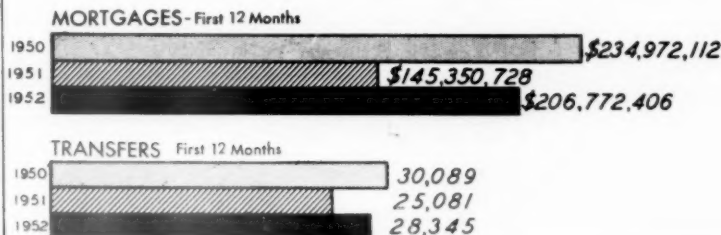
## MILWAUKEE, WIS.



# COMPARISON OF MORTGAGE VOLUME AND REAL ESTATE TRANSFERS FOR 1950, 1951, 1952

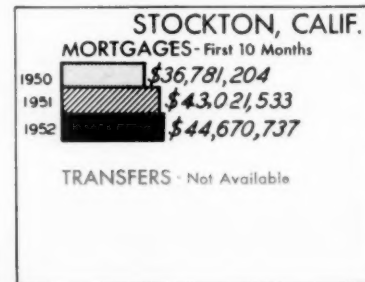
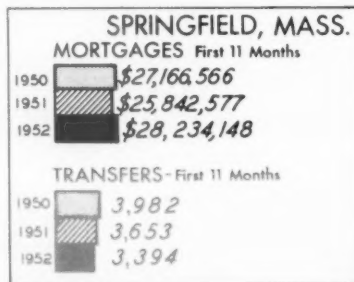
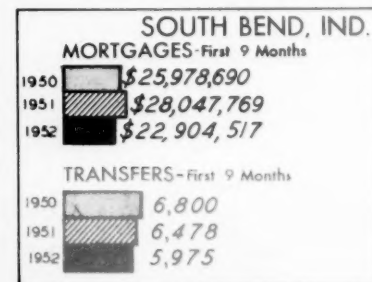
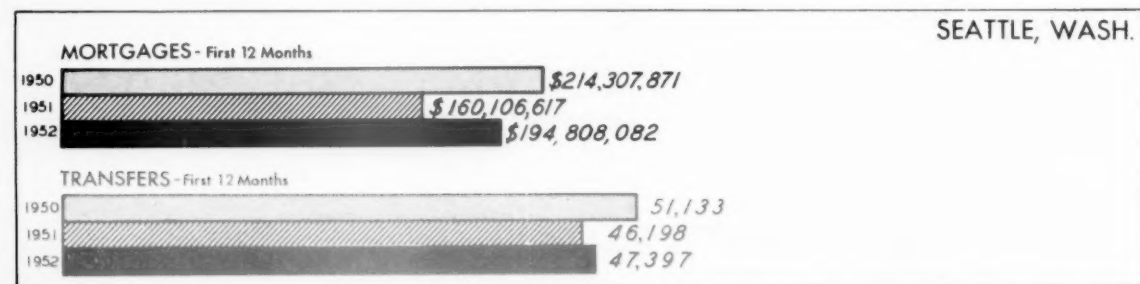
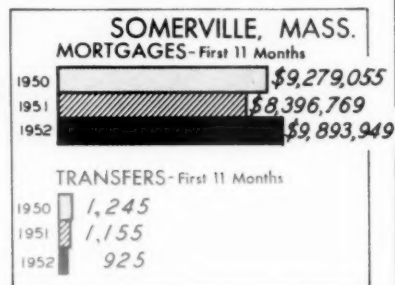
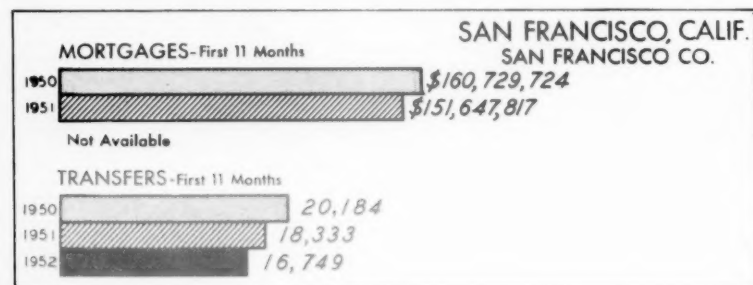
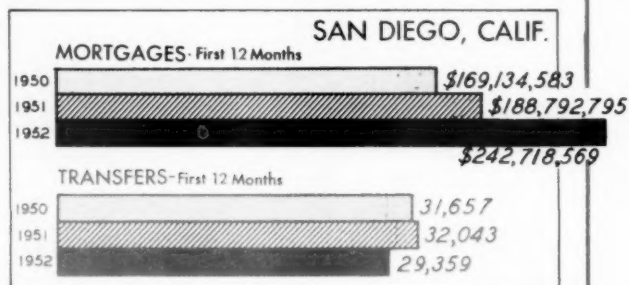
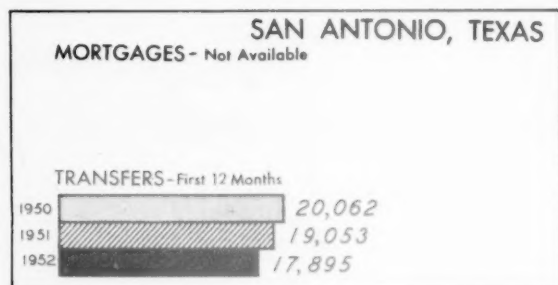
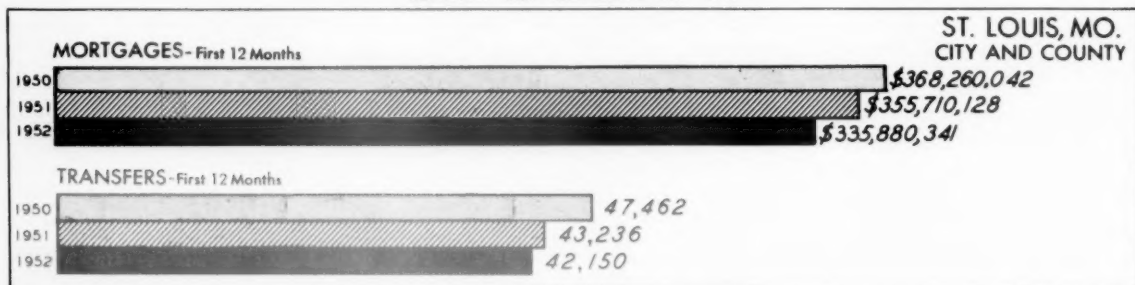
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## MINNEAPOLIS, MINN.



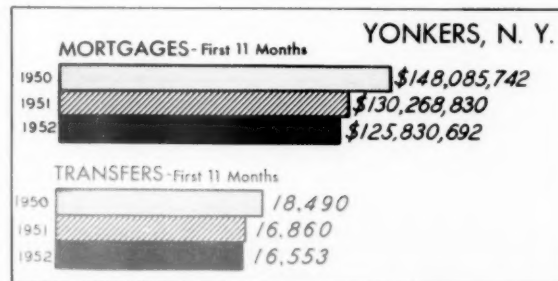
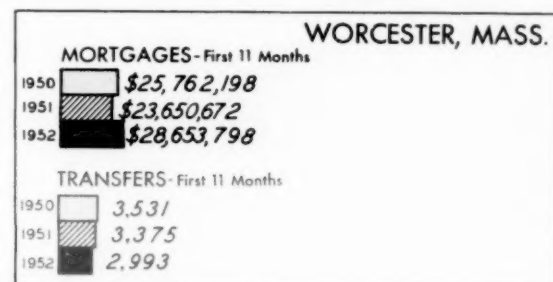
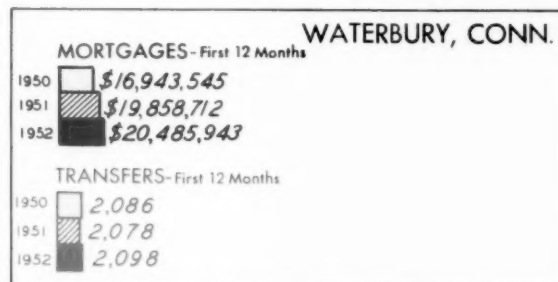
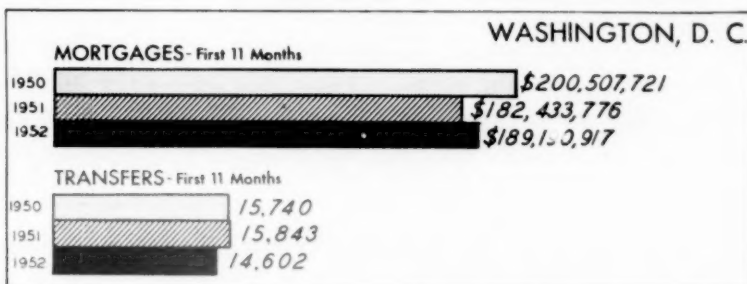
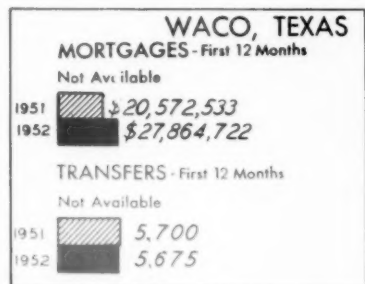
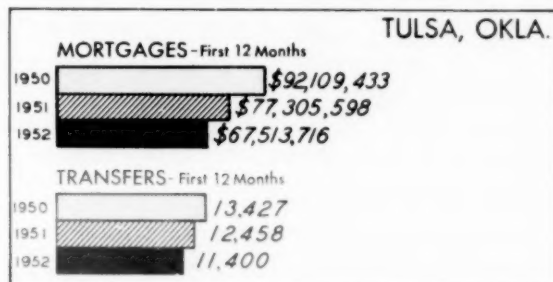
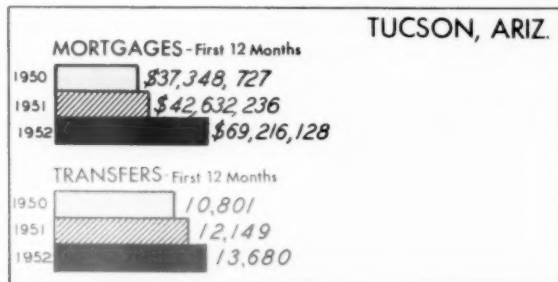
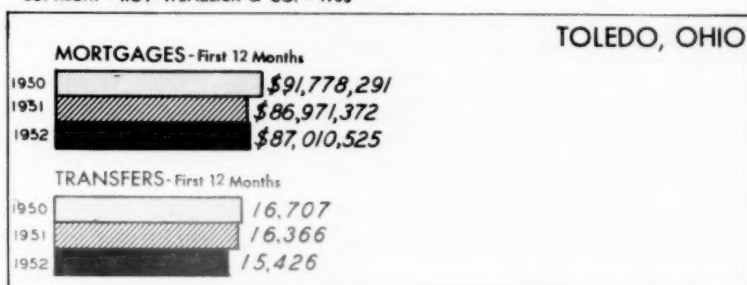
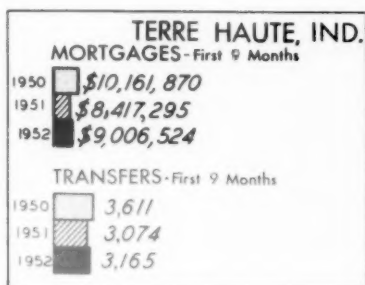
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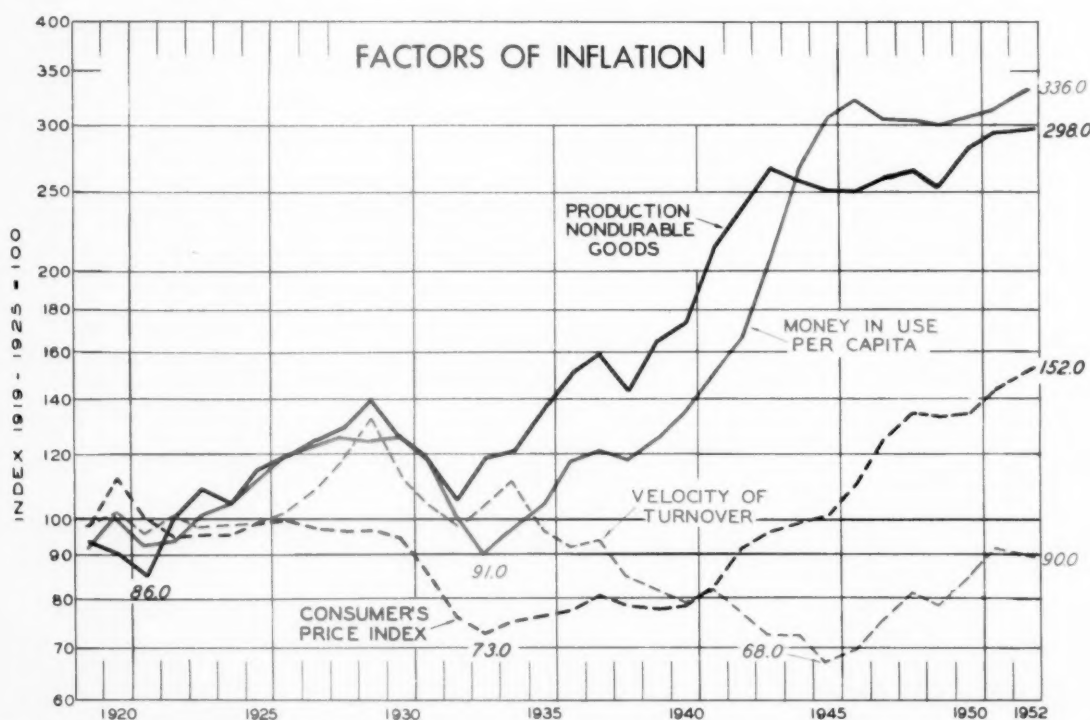


## FACTORS OF INFLATION

THE chart below shows four prime factors of inflation. The dashed blue line represents the consumers' price index, which is, to most of us, the most painful indicator of inflation. It tells us that our present dollar is worth just a little more than half of its 1940 value. The solid blue line shows the main reason why inflation has not been even worse. This line represents the trend of nondurable goods production. The continuously increasing supply of goods has helped keep inflation from being even more ruinous.

The solid red line represents one of the chief causes of inflation - the rapidly expanding amount of money in use per capita. The dashed red line represents a seldom discussed factor, but one that can have powerful inflationary or deflationary effects. This line shows the rate at which the money in use is being spent, and is referred to as the "velocity of turnover." In the last year or so, people have been saving more money, and this has caused the velocity of turnover to decline slowly.

Our guess on the future course of these factors would indicate little probability of more inflation. Production of nondurable goods should certainly continue to expand. The announced policies of the new Administration point toward a halt (and perhaps a decline) in the rise of "money in use per capita." All other things being equal, these two actions would bring about some deflation, the amount depending upon the actual increase in production in relation to the amount of money in use.

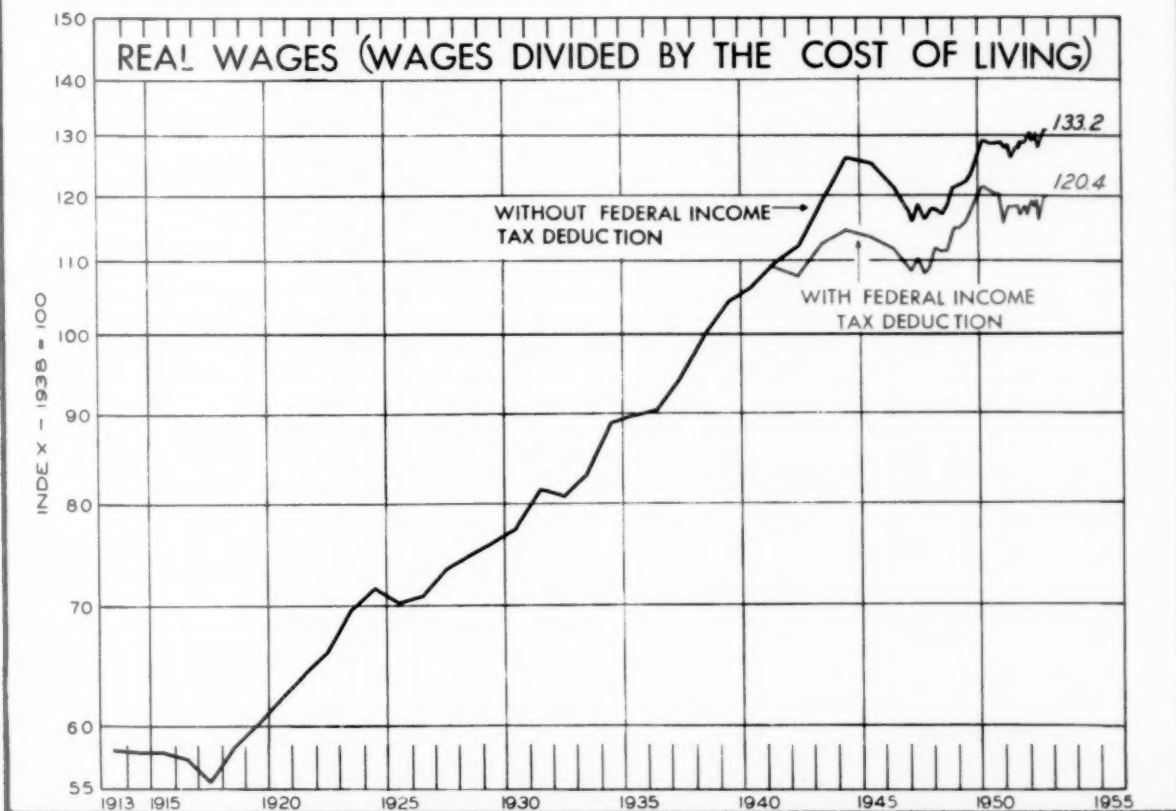




On the other hand, the rate at which people spend money could bring on more rather severe inflation. If a spending spree develops and money starts turning over rapidly, the effects of higher production and less money in use could be offset. If the rate of turnover rises rapidly enough, the results could be serious. However, wage payments, though still rising, are rising at a slower rate (see chart below), and there is little to indicate that a large increase in consumer spending is imminent.

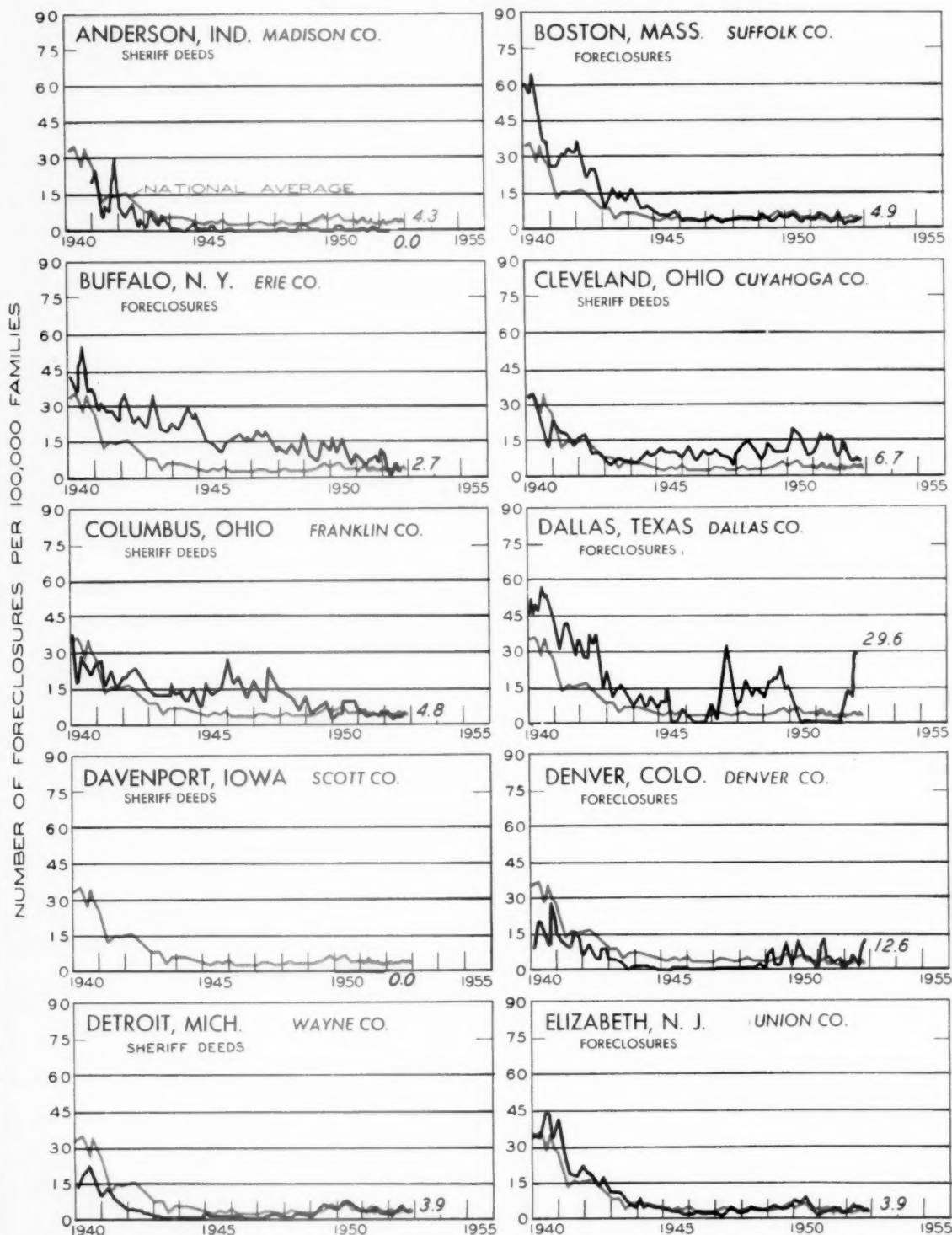
One of the reasons we feel certain that production will continue to rise is shown by the chart on page 34. This chart shows the tremendous rise in additions to new plants and equipment. Last year, these additions reached an all-time high of \$26 billion, and were equal to approximately 59% of business profits. Actually, a larger percentage of business profits after taxes was plowed back into plants and equipment from 1935 through 1952 than is indicated by this chart. The reason for this is explained below.

The business profits figures used in this chart are exaggerated for the following reason. No up-to-date figures are available showing non-incorporated business profits after taxes. Therefore, the business profit figures shown in this chart are a combination of corporate profits after taxes plus non-incorporated business and partnership profits before taxes. This is not particularly good statistical or charting practice, but it is not too bad so long as an explanation of the figure is given.



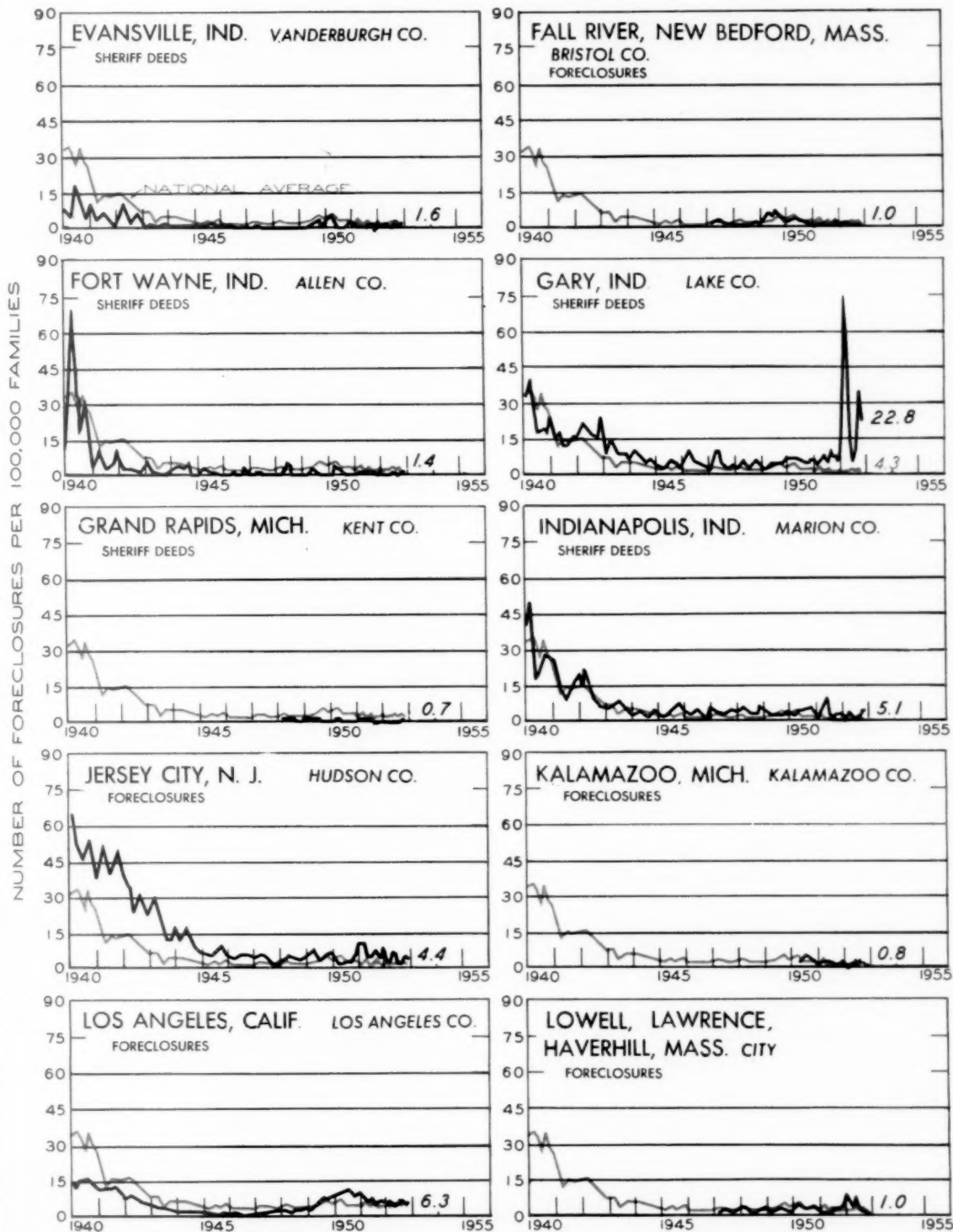
# FLUCTUATIONS IN THE FORECLOSURE RATE

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# FLUCTUATIONS IN THE FORECLOSURE RATE

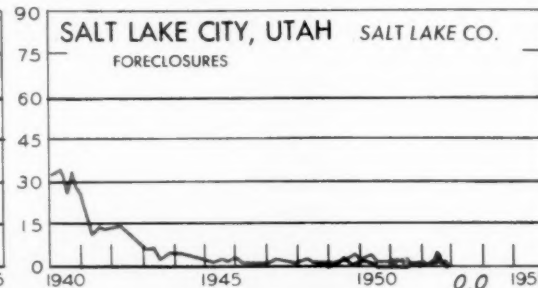
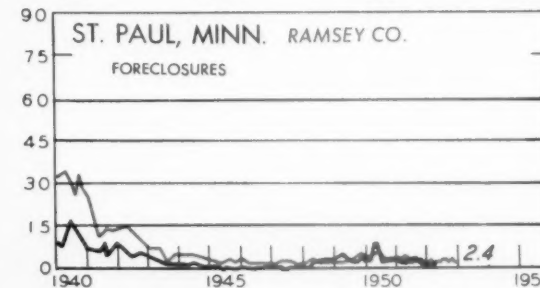
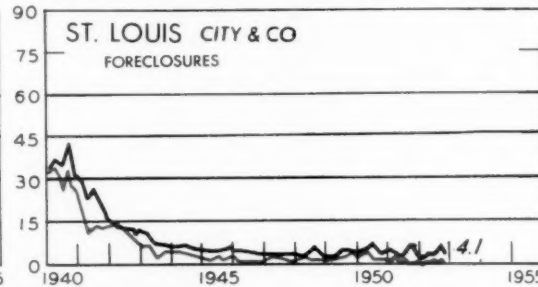
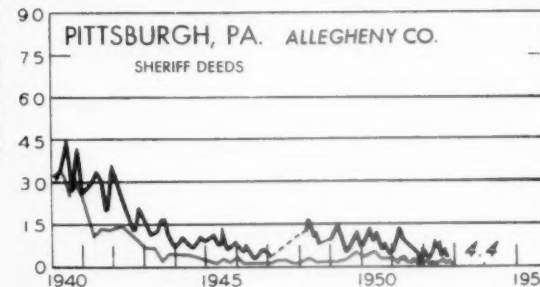
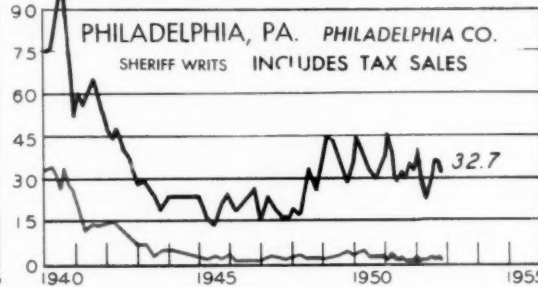
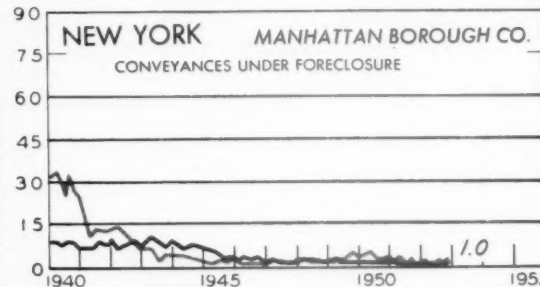
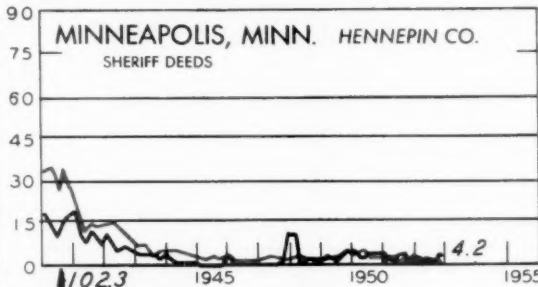
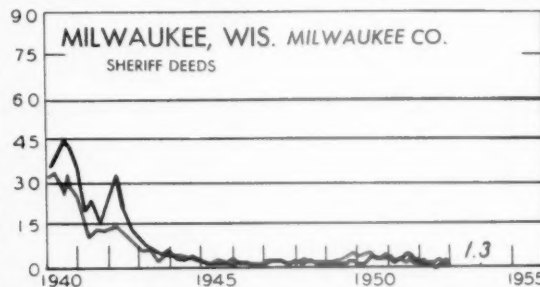
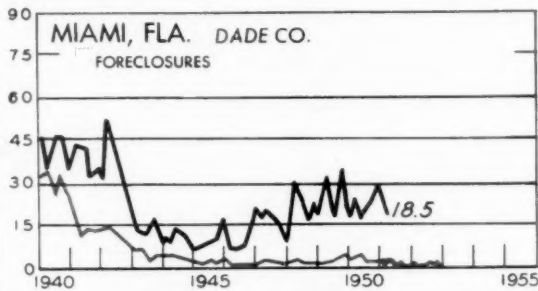
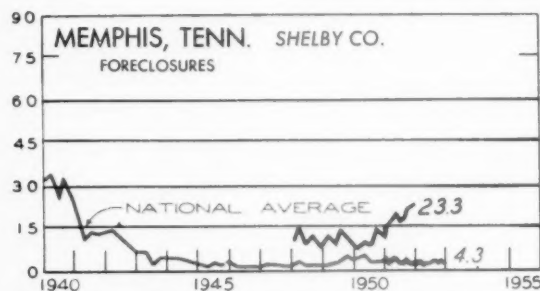
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# FLUCTUATIONS IN THE FORECLOSURE RATE

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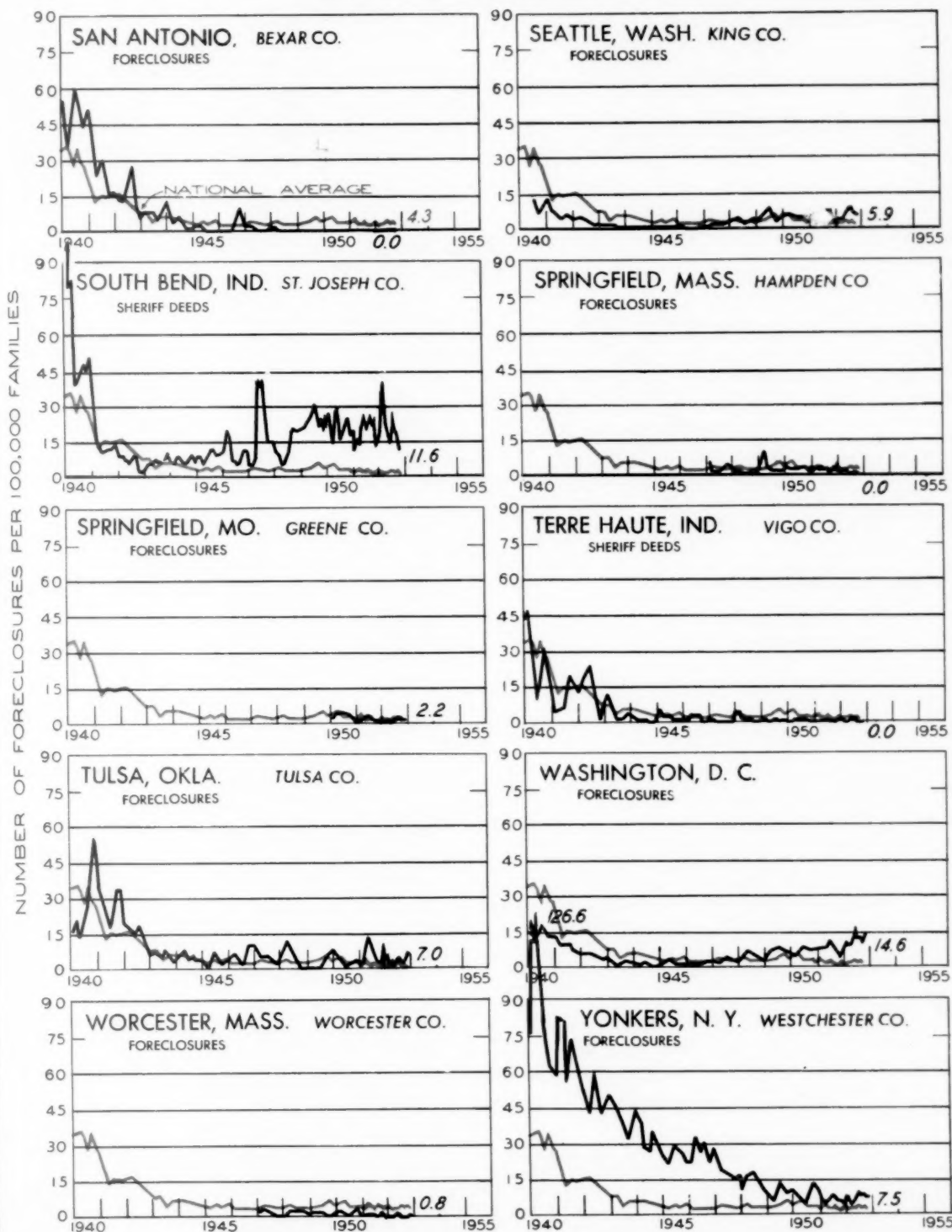
NUMBER OF FORECLOSURES PER 100,000 FAMILIES

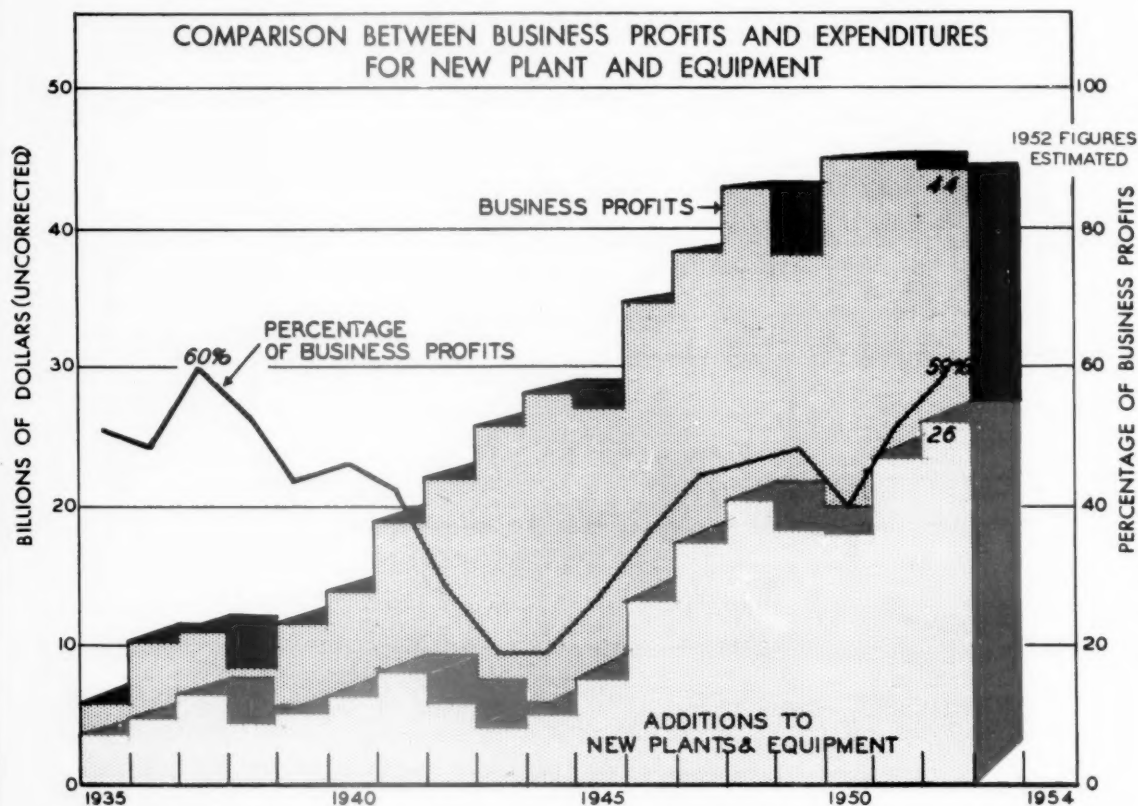




# FLUCTUATIONS IN THE FORECLOSURE RATE

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### INCREASE IN HIGHWAY EXPENDITURES INDICATED

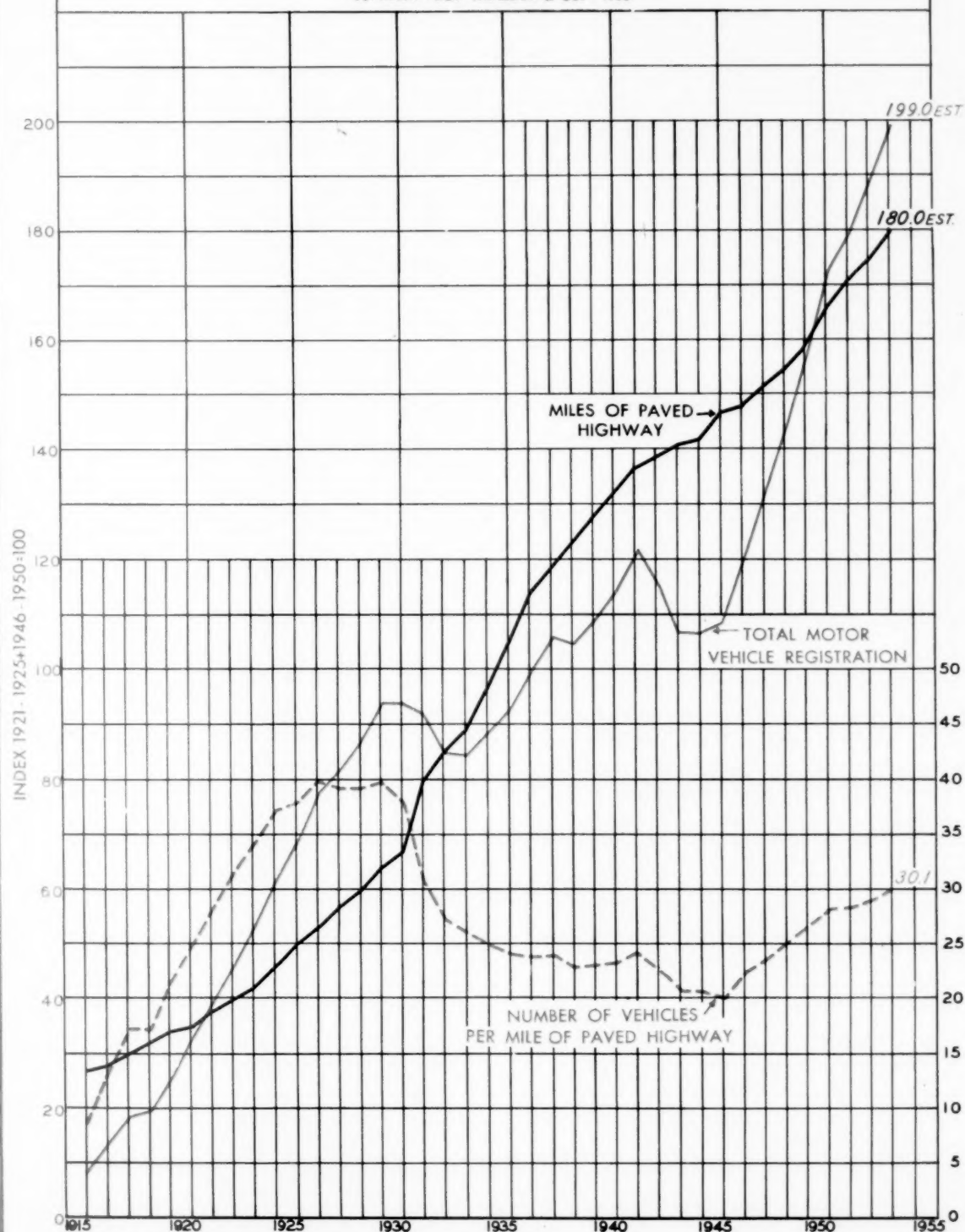
**E**VER since the end of World War II the number of automobiles registered in the United States has increased at a more rapid rate than has the number of miles of paved highways. The chart on the opposite page shows how paved highway construction has lagged behind the increase in automobile registrations, and is carried forward to show the estimated relationship at the end of 1953. For the sake of easier comparison, both of these lines have been put on an index basis. The dashed red line, showing the number of vehicles per mile of highway, is not on an index basis. It shows the actual number of vehicles per mile that would be on our highways if all cars and trucks left the cities and took to the open road.

The continued rise in the number of automobile accidents is partially explained by the increasing congestion on our highways. Naturally, another part of the explanation lies in the fact that many of our paved highways were not designed to handle the speeds at which most modern cars are driven.

It, therefore, seems certain that the number of new highways will increase, and that many of the present highways will be widened and made safer for high speeds.

# COMPARISON BETWEEN MOTOR VEHICLE REGISTRATION AND MILES OF PAVED HIGHWAYS IN THE UNITED STATES

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## CHANGES IN REAL ESTATE AND MORTGAGE ACTIVITY (cont. from page 21)

estate mortgages recorded in these same cities during the same 3 years. Yearly totals are not shown on all of the charts, but where they are not shown, the period covered (9, 10 or 11 months) is the same for the 3 years being compared.

A study of these charts indicates that a definite real estate decline has already begun in several cities, and is hinted at in several others. For example, the number of real estate transfers in Birmingham is 27.8% below its 1950 level, while in Houston the drop has been 27.5%. The dollar volume of mortgages recorded in Birmingham likewise dropped rather resoundingly - 34.4% below the 1950 amount. Houston mortgage dollar volume dropped 50% below the 1950 amount. Drops in other cities have been varied, but not so spectacular as the drops in Birmingham and Houston.

Further analysis shows that real estate sales have held just about the same level for the 3-year period in Brockton, Massachusetts; Waterbury and Hartford, Connecticut; and Cincinnati. Mortgage activity in these four cities has been mixed.

There are six cities where the number of real estate sales in 1952 was above the 1950 number. Haverhill, Massachusetts, showed the biggest percentage rise, with an increase of 50% over the 1950 number. Tucson was next, with a rise of 30%. Kansas City, Missouri, was third, with a 25% increase, while Phoenix was next, with a rise of 10%. Fort Worth, Texas; and Portland, Oregon; both showed fractional increases over their 1950 levels.

Pittsburgh's experience has been rather unusual in that its real estate activity has swung so widely in so short a time. Its activity dropped sharply in 1951, when it fell 32% below the 1950 level. However, it rebounded almost as sharply in 1952, when it rose 31% to come within a few thousand sales of its 1950 amount. During this period its dollar volume of mortgages has risen 77%.

Throughout the year we will continue to observe and report on all factors affecting the real estate and mortgage fields, taking pains to bring you city-by-city information whenever possible.